Twenty-First Report

of the

Provincial Judges Pension Board

for the period

April 1, 2008 - March 31, 2009

Provincial Judges Pension Board

The Provincial Judges Pension Board (the "Board") was established in 1992 by Ontario Regulation 67/92 as amended (the "Regulation") under the *Courts of Justice Act.* The Board is the successor to the Provincial Judges Benefit Board established in 1984 by Ontario Regulation 332/84 under the *Provincial Courts Act.*

Members of the Board are appointed by the Lieutenant Governor in Council.

For the period April 1, 2008 through March 31, 2009, the Board's members were:

W. Keith Gray, Chair
Executive Vice President (retired)
Toronto Dominion Bank

Russell E. McKay, FCA
Partner (retired)
Deloitte & Touche

Dayle Hawkins
Director, HR
DBRS Limited

Ignas Nastajus, Secretary, Appeals at the Ontario Pension Board ("OPB"), acted as secretary to the Board.

The Board administered the Provincial Judges Pension Plan (the "Plan") and approved pension payments and refunds in accordance with the Regulation.

The Board met 4 times during the period April 1, 2008 through March 31, 2009. In the same period, Board members met once with the Chief Justice to discuss responsibilities for member and pensioner communications.

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Cost of Administration

Administrative support cost for the operation of the Board was subsumed in the estimates of the Human Resources Division, Ministry of Government and Consumer Services.

The Chair and Board members are all private sector appointees and received per diem fees of $200 for the Chair and $150 for the members. Fees totalled $1,500.00 for attendance at Board meetings. The Board incurred no other direct costs.

Plan Activity

		@ March 31, 2008	Increase	Decrease	@ March 31, 2009
Members (participants)	Active	288	13	(16)	285
	LTIP	0	0	0	0
Total Membership		**288**	**13**	**(16)**	**285**
Pensioners	Normal [1]	162	16	(19)	159
	Survivors	52	13	(2)	63
Total Pensioners		**214**	**29**	**(21)**	**222**
Deferred Pensioners [2]		**4**	**0**	**0**	**4**

1. Pensions and escalation adjustments calculated under Provincial Judges Pension Plan rules.
2. Pensions for former Provincial Judges Pension Plan members to be paid at a future date.

Provincial Judges Pension Fund

Statement of Changes in Fund Balance for the Year Ended March 31, 2009

	2009 ($ 000's)	2008 ($ 000's)
Deposits		
Contributions		
Participants	4,782	4,122
Province of Ontario (Note 4)	29,314	23,558
Interest Earned	37,332	35,362
Total Deposits	**71,428**	**63,042**
Payments		
Pension Payments and Survivor Allowances (Note 4)	27,687	22,581
Refund of Contributions	183	zero
Total Payments	**27,870**	**22,581**
Net Increase In the Fund	**43,558**	**40,461**
Balance with The Minister of Finance (Note 4)		
- Beginning of the year	507,926	467,465
- End of the year	**551,484**	**507,926**

See the accompanying notes to the financial statement

Approved on behalf of the Board: _____ Chair

Notes to Financial Statements
for the year ended March 31, 2009

1. DESCRIPTION OF THE FUND

The Provincial Judges Pension Fund (the Fund), is administered by the Provincial Judges Pension Board as designated by *Ontario Regulation 67/92*, as amended, under the Courts of Justice Act. The following brief description of the Fund is provided for general purposes only. For more complete information, reference should be made to the Regulation.

(a) General

The purpose of the Fund is to provide pension payments to retired Provincial Judges and Masters who are members of the Plan or survivor allowances to the dependents of these Judges and Masters.

(b) Funding Policy

Participants are required to contribute 7% of their salary to the earlier occurrence of meeting their basic service requirement or attaining age 70 years.

The contribution required from the Province is determined by an actuarial valuation as described in note 4.

(c) Pension Payments

A pension payment is available based on the age and the number of years of full-time service for which the participant has credit upon ceasing to hold office and is based on the salary of a full-time judge of the highest judicial rank held by the participant while in office. The participant is entitled to these payments during his/her lifetime.

(d) Disability Pension Payments

A full pension is available at age 65 for participants with a minimum of five years of full-time service who are unable to serve in office due to injury or chronic illness.

(e) Survivor Allowances

A survivor allowance equal to 60% of the pension payment is paid to the spouse during the spouse's lifetime or to children who meet the age, custody, education or disability criteria defined in section 22 of the Regulation.

(f) Death Refunds

A death refund is payable to the personal representative of a participant where there is no further entitlement to a survivor allowance. The amount of the refund is equal to the participant's contributions in the Fund plus interest, less entitlements already paid out.

DESCRIPTION OF THE FUND (CONTINUED)

(g) Withdrawal Refunds

Upon ceasing to hold office for a reason other than death, participants not eligible to receive pension payments are entitled to receive a refund of their contributions to the Fund plus interest.

(h) Interest Revenue

Interest is credited to the Fund based on a calculation specified by Order-in-Council as follows:

- to the beginning balance based on the weighted averaged interest rates applicable to 25-year securities issued or guaranteed by the Province since the inception of the fund (7.35% on the April 1, 2008 balance);
- on the monthly excess of contributions over payments during the year at 5.20%, the estimated 25-year rate for the year, with adjustments to actual made the following year.

(i) Fund Status

The Fund is not subject to the reporting requirements under the *Pension Benefits Act* and Regulations.

(j) Annual Inflationary Escalation of Entitlements

The annual inflationary increase for judges who retired before June 1, 2007 is based on changes in the Average Weekly Earnings published by Statistics Canada and subject to a maximum of 7% in any one year, and is effective on April 1 in every year. The increase for judges who retired on or after June 1, 2007 and elected to be paid under the new plan provisions effective on that date is based on changes in the Consumer Price Index, and is effective on January 1 in every year.

(k) Funding of Supplementary Benefits

The *Income Tax Act (Canada) (ITA)* limits the pension benefit payable from the Fund for post-1991 service. Cabinet has approved that benefits above the ITA limit will be provided through a supplementary account in the Consolidated Revenue Fund. Changes to the plan provisions have been drafted to comply with the *ITA*. Once those changes are reviewed and approved by the Province, the Fund balance will be split between the existing account for the Fund and the new supplementary account. Both accounts will be held within the Consolidated Revenue Fund of the Province of Ontario.

2. SIGNIFICANT ACCOUNTING POLICY

The financial statement has been prepared on a basis of accounting consistent with section 34 of Ontario Regulation 67/92 under the Courts of Justice Act which states that the Fund shall consist of contributions and money paid, transferred or credited to the Fund, less money paid out.

3. ADMINISTRATIVE EXPENSES

Administrative expenses are paid by the Province of Ontario.

4. LIABILITY FOR FUTURE BENEFITS

The Provincial Judges Remuneration Commission (Commission) was established under Ontario Regulation 407/93 under the Courts of Justice Act to conduct an independent process to determine the salary, benefits and pensions for all provincial judges. The recommendations contained in the Commission's combined Sixth and Seventh Triennial Provincial Judges Report covered the period from April 1, 2004 to March 31, 2010, and came into force on April 25, 2008. The key changes included retroactive salary increases; increases to the base pension; reducing the penalty for early retirement and changing the basis for pension indexation. New pension plan provisions were introduced that are mandatory for all judges appointed on or after June 1, 2007; and judges not retired as at June 1, 2007 could opt to have their pensions determined under the new plan.

The Province is responsible for the unfunded liability of the Provincial Judges Pension Fund and funds this liability in amounts recommended by periodic actuarial funding valuations of the Plan. The Province's fiscal 2009 contribution of $29,314,000 is based on the Plan's most recent actuarial funding valuation as of March 31, 2008 which updated the March 31, 2006 valuation. Based on the 2008 valuation, the required present value of future government contributions is $268,554,000 (2006-$236,207,000), and recommends that the Province contribute 44.3% (2006-36.6%) of the payroll of sitting judges until the next valuation.

Chair's Comments

The Board expresses its appreciation for the assistance rendered to the Board by the management and staff of the HR Management and Corporate Policy Division, and the Ontario Pension Board and staff.

The Office of the Provincial Auditor has tabled the Office of the Auditor General Report on the Audit of the Provincial Judges Pension Fund for the year ending March 31, 2009. The Board undertakes to ensure that any administrative deficiency that requires remedy under that report is brought to the attention of those persons or areas responsible for correcting the deficiency.

In addition, in the 12 months which ended on March 31, 2009, the Board has expressed its concern to MGS regarding the delays encountered in reviewing and updating the Board's Memorandum of Understanding with MGS, and in obtaining the revisions to the *Provincial Judges Pension Plan* which will make that plan compliant with the requirements of the *Income Tax Act*. The Board has received assurances from MGS that action on both these long-standing items is in progress.